

**RESPONSE TO SECURITIES INVESTORS ASSOCIATION (SINGAPORE)'S QUERIES ON THE
FY2021 ANNUAL REPORT**

The Board of Directors (the “**Board**” or “**Directors**”) of GRP Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) wishes to inform shareholders that the Company has received the following queries from the Securities Investors Association (Singapore) (“**SIAS**”) in relation to the Company’s annual report for the financial year ended 30 June 2021 (the “**FY2021 Annual Report**”) and sets out its responses as follows:-

Question 1:

As noted in the corporate profile, it has been 8 years (since October 2013) that the group ventured into property development after obtaining shareholders’ approval for the diversification. The group’s performance in the property segment has been mixed, at best.

The group’s investment in Kaiping District, Tangshan City, PRC since 2015 has not proceeded as planned and the land has been repossessed by the PRC government in 2019. In 2016, the group acquired then-Starland Holdings which was principally engaged in the development of integrated residential and commercial properties in the PRC and since morphed into Luminor Financial Holdings Limited. In 2017, the group invested in Multiple Lodge Sdn Bhd (**Mlodge**) and subscribed for RM7.75 million in redeemable convertible preference shares issued by Energiser Enterprise Sdn Bhd (**EESB**) which has since defaulted. In 2020, the group ventured into affordable housing project in Perak, Malaysia in December 2020.

Question 1(i):

Can management (re)state its track record and expertise in real estate developments in the PRC and in Malaysia? What is the group’s competitive advantage in the projects that it has invested in (other than being a capital provider)?

Company’s response to Question 1(i):

1.1.1 As mentioned in the Company’s shareholders’ circular dated 14 October 2013 in relation to the Company’s diversification of business to include, *inter alia*, property development (the “**Property Business**”) (the “**Circular**”), Mr Kwan Chee Seng (“**Mr Kwan**”), executive Director of the Company, would be the main driver of the Property Business. Mr Kwan has extensive experience in Property Business as:

- a. Since 1994, Mr Kwan has ventured into property investment and/or development business and a notable project involved the development of two blocks of four-storey warehouse and ancillary office buildings at Xilin Avenue, which was completed in 1996.
- b. In addition, Mr Kwan was a non-executive director and controlling shareholder of GKE Corporation Limited, which undertook the development of a four-storey warehouse and a seven-storey office located at 30 Pioneer Road which was completed in 2010. The development was awarded the Green Mark GoldPlus certification from the Building and Construction Authority of Singapore.

The Property Business is also supported by its respective teams in the PRC and in Malaysia, where the Company operates in. The teams comprise individuals with relevant experience and skills, such as property development, project management, sales etc. The teams are led by the Company’s general manager, who reports directly to the management in Singapore.

1.1.2 In addition, the Circular had set out the risk factors of the Group’s diversification into the Property Business which the Management continually evaluates and is mindful of. Such risks

include but not limited to:

- a. Market risks - fluctuations in property prices and the Group's ability to identify suitable land sites and property development projects may have an adverse impact on the Property Business and the Group's financial condition; and
- b. Ability to provide adequate funds for the capital investments – the Property Business requires substantial capital investments or cash outlay.

1.1.3 Since the diversification into Property Business, the Group has developed various strategies and is focusing on residential development in the mass housing market in collaboration with land owners seeking a development partner. This strategy reduces the need to acquire the land from land owner, thereby avoiding substantial cost outlay. The Group's intent is to provide initial concept design proposal, obtain authorities' approval for final project design, project management, builders contract management, marketing and sales functions, financial reporting and management, and being a trusted partner for the development of the project. The Group has been involved in the following projects in the PRC and Malaysia:

- a. The Kaiping Project In Tangshan City, PRC

This project involved securing the development rights to undertake an integrated mixed development on a site of 1195.98 mu (equivalent to approximately 797,360 sqm). The Group tendered for and was awarded a portion of the site of 165 mu (equivalent to approximately 110,000 sqm). Towards facilitating the negotiations and acquiring the land, the Company had invested RMB58.3 million for the land, and RMB28.7 million were advances (the "**Advances**"). The Kaiping Authority had requested the Company to consider developing the whole plot of 1195.98 mu but the Management decided that the Group would not pursue the Kaiping project due to the changes in the PRC Central Government's rules on land utilisation and conversion. The Group has since recovered the money invested for the land. As regards to the Advances, the Company has recovered RMB3 million. The Management has written to the Kaiping Authority for the recovery of the remaining balance of the Advances and has plans to meet with the Kaiping Authority once the travel restrictions are lifted.

- b. Starland Holdings Limited (now known as Luminor Financial Holdings Limited ("**LFHL**"))

In February 2016, the Group acquired 100% of LFHL via a General Offer. It was an opportunity that also allowed the Group to deliver shareholder value via a (free) Distribution-in-Specie ("**DIS**") of approximately 17% of LFHL's issued shares to the Group's shareholders. LFHL was primarily involved in the business of property development in the PRC and following the acquisition of interest by the Group, and the DIS, LFHL became an 83.17% owned indirect subsidiary of the Company. LFHL had 3 properties in Fuling, Chongqing, PRC and a residential plot at Jalan Nipah, Singapore. The Group was of the view that the acquisition of LFHL had provided opportunities in the rising residential property markets in the PRC and subsequently, the Group would pursue the development of the Royal Waterhouse project located at an attractive site in Fuling, with land cost of RMB8.4 million i.e. RMB329.2 per sqm. However, planning approvals were delayed, and the Group was informed of offer for repossession by the Fuling District Government ("**FDG**") at RMB740 per sqm, or a total of RMB18.9 million (equivalent to approximately S\$3.7 million). The Group has obtained a third party valuation of RMB69.2 million for the land, and negotiations with FDG are ongoing since early 2021. It is envisaged that the matter will be further pursued at an arbitration.

- c. Multiple Lodge Sdn Bhd in Malaysia

In October 2017, the Group acquired interest in Multiple Lodge Sdn Bhd ("**Mlodge**"). Mlodge has acquired rights to develop an approximately 19.35 acres land plot adjacent to the Iskandar Ipoh Polo Club in Ipoh, Perak, Malaysia. Mlodge successfully obtained in-principle approval to convert the use of the land from agricultural to residential use, and has subsequently obtained further approval to convert the use of the land to commercial use. However, due to ongoing Covid 19 pandemic, the development plans

have been put on hold.

d. Energiser Enterprises Sdn Bhd (“EESB”) in Malaysia

On 31 July 2017, the Company had entered into a subscription agreement whereby the Company subscribed for RM7.75 million (equivalent to approximately S\$2.5 million) worth of redeemable preference shares issued by EESB. This was purely a financial investment. EESB was on track for an initial Public Offering (an “IPO”) on the Hong Kong Stock Exchange (“HKEX”). The IPO did not go through and the Company has since entered into a settlement agreement with EESB. Please refer to the announcements dated 1 August 2017, 2 October 2017, 4 October 2017, 30 June 2020 and 5 October 2021 for more details.

e. Ratus Nautika Sdn Bhd in Malaysia

As announced by the Company in December 2020, Ratus Nautika Sdn Bhd, an indirect 70%-owned subsidiary of the Company, has been appointed as the developer, and has acquired rights to develop an affordable housing project in Perak, Malaysia. The project involves construction and sale of 1039 units of single-storey terrace houses and 28 terrace shops, to be developed over 3 phases on a land site of 100,748 acres.

1.1.4 The Company strategy is to work with land owners (both public or private) to create and increase the value of their land by lending our expertise in all aspects of property development instead of competing directly with traditional developers who have deep pockets and can pay outright for all the land they acquire. With this strategy, the Company is able to secure land and complete projects with relatively lower cost. The Company’s competitive advantage lies in its deal sourcing framework. The procurement of Mlodge and the affordable housing project demonstrates how the company has successfully carved out such a niche.

Question 1(ii):

Please help shareholders understand the deal sourcing framework for the group’s property projects and clearly state how management creates value in these projects to capture sustainable, long-term value for shareholders.

Company’s response to Question 1(ii):

To implement its strategy, the Management identifies the specific geographical and market segment to enter into. Entry into the various markets can be through various means. For example, the Company acquired LFHL an operating entity operating in the property market in the PRC, to hasten its entry into the PRC. For Malaysia, the Company leveraged on its contacts and reputation to seek out potential landowners (both public and private) and identified appropriate projects, and then acquired rights to develop their land on a joint venture basis, rather than acquire the land outright, as explained in paragraphs 1.1.3 and 1.1.4. above. Projects are then launched after identifying the needs of a specific target market. The Management recognises that the property market growth in the PRC and Malaysia will lead to a sustainable and long term value proposition due to the rising income levels, and the trend of rapid urbanisation being one of the key engines driving these regions’ economic growth. In view of the long term positive outlook for the growth of the property market in these regions, it would provide the Group with diversified returns and would contribute an additional stream of revenue and earnings for the Group. The Board is of the view that the undertaking of the Group’s property projects in these regions is in the best interest of the Company.

Question 1(iii):

To help shareholders better understand the group’s performance in property-related investments since 2013, would management disclose the total amount invested, the dividends/capital received by the company (if any) and the current fair values relating to its investments in:

a. the Kaiping project

- b. then-Starland (now known as Luminor Financial Holdings Limited)
- c. Mlodge and EESB (Note: The material contracts involving Mlodge and EESB can be seen on pages 46 and 47 of the annual report.)

Company's response to Question 1(iii):

Name of Project	Total Amount Invested	Total dividends / capital received	Current Fair Values
Kaiping Project	(i) RMB58.3 million for the land; (ii) RMB28.7 million as Advances	The Company has since recovered, an excess of RMB3.8 million in excess of the money invested for the land. As regard to the Advances, the Company has recovered RMB3 million.	Refer page 83 of the FY2021 Annual Report– “Other Receivables” of \$4.565 million
LFHL	S\$34.0 million, less S\$5.6 million for value of the 2016 Dividend-in-Specie to shareholders of the Company	Dividends paid - An aggregate of 6.5 cents per share in LFHL, from 2017 to 2019	A net amount of \$19.385 million (refer page 83 the FY2021 Annual Report – “Disposal group assets classified as held for distribution to owners” of \$35.619 million; and refer page 84 – “Liabilities directly associated with disposal group classified as held for distribution to owners” of \$16.234 million).
Mlodge	(i) S\$634,000 for the joint development agreement in relation to Mlodge	Nil as the Mlodge development has not commenced.	Refer page 156 of the FY2021 Annual Report - \$634,000 paid to the landowner.
EESB	S\$2.5 million for the redeemable preference shares in EESB	Nil. A Settlement agreement signed. Please refer to announcements listed in paragraph 1.1.3.c above.	Nil, as amount has been fully provisioned. Refer page 132 of the FY2021 Annual Report

For more details, please also refer to the answers provided in paragraph 1.1 above.

Question 1(iv):

Has the board reviewed the group's performance in property development (i.e. management's performance) and is it satisfied with the results achieved by the group in the property segment in the past 8 years?

Company's response to Question 1(iv):

The Management regularly provides updates to the Board. Board is apprised by the Management that the mixed development property projects in PRC have been selling well and 1021 residential units at Singapore Garden project have been sold. There are only 10 residential units, 25 commercial units and 60 carpark spaces left unsold as at 30 June 2021. The Board notes that the Group has commenced the construction of the affordable housing project in Malaysia and that the Management is expecting the sales of the affordable housing project to commence soon. The Board understands that the Company is in a niche segment with risks limited to the timing and execution of the projects. The Board constantly gives guidance on strategic direction and based on the results achieved in the property segment in the past 8 years, the Board is satisfied with the Group's performance in the Property Business.

Question 1(v):

Specifically, what changes can be made/has been made by the board regarding the board approval process (for its real estate investments) and the level of (operational, legal, financial, commercial etc) due diligence carried out prior to investing given how things have turned out (e.g. Kaiping and EESB)?

Company's response to Question 1(v):

As mentioned above in its response to question 1.(ii), the Management works closely with the Board in identifying the appropriate jurisdictions and projects before investing. Management is diligent and regularly presents potential deals for the Board's evaluation / approval. To facilitate the Board's review, the Management presentations include information and analysis of the market, the financial projections, the proposed deal structure, risks and other relevant information. Where necessary, the Management and the Board would make changes regarding the approval process for the Group's Property Business.

Question 2:

On 11 October 2021, the company announced that the independent auditors have included in their independent auditor's report an "except for" qualified opinion in respect of the consolidated financial statements of the group for the financial year ended 30 June 2021.

The bases for the "except for" qualified opinion can be found in the Auditor's Report (pages 76 to 79 of the annual report). The bases are:

- Bank accounts and fund transfers relating to certain subsidiaries in the PRC
- Non-current advance payment recoverable from the PRC authority
- Disposal group assets and liabilities classified as held for distribution
- Receivables from certain subsidiaries
- Opening balances

Question 2(i):

Can management disclose the documents requested by the officer-in-charge (OIC) of the investigations relating to the frozen bank accounts of the PRC subsidiaries? Who is following up with the OIC to confirm the conclusion of the investigations? Can the audit committee (AC) elaborate further on the "sufficient appropriate audit evidence" requested by the independent auditors to ascertain if the fund transfers are in compliance with applicable laws and regulations in the PRC and Singapore and what was the level of assistance given by the AC to the auditors in the audit? If the company has already obtained a legal opinion from a PRC legal counsel that the transfers did not contravene any PRC laws or regulations, is there still outstanding ambiguity over the said transfers? In addition, other than obtaining a legal opinion in Singapore that the Singapore licensed remittance agent had a valid license up to 31 December 2019, did the company seek legal opinion that the transfer did not contravene any applicable laws and regulations in Singapore? Was the license of the remittance agent subsequently revoked since the company has stated that the agent's license was only valid up to 31 December 2019?

Company's response to Question 2(i):

The documents required by the OIC related to evidence of the source of funds relevant to the remittances from PRC, and the documents relating to fund remittance arrangements that were made with the Singapore remittance agent (the "**Agent**"). The Group's management in PRC are the contact persons for communications with the OIC. The independent auditors ("**Auditors**") have requested for a clearance letter from the OIC, as a basis of sufficient appropriate evidence, of the closure of matter. The AC is informed and aware of the matters, and is mindful that the matters shall be prudently resolved. However, as it is not a practice of the OIC to provide written confirmations or acknowledgement, the Company has not been able to obtain, and provide to the Auditors, a written clearance letter from the OIC.

The Company is of the view that it has obtained sufficient legal opinion on these matters. The said transactions were made during the validity period of the Agent's license. As far as the Company is aware, the Agent continues to be in operation but the Company does not have any knowledge if the Agent has since renewed its license, or if its license has been revoked, as the Group had no transactions with the Agent subsequent to 2019.

The Company has recently been informed that the OIC has transferred the case to the State Administration of Foreign Exchange ("**SAFE**"), the Hanzhong City, Central Branch. To facilitate their investigation, the Officer-in-Charge at SAFE ("**SAFE OIC**") has requested the Company to submit supporting documents relating to the remittances from the PRC. The Management has started to collate the information for submission to the SAFE OIC. Please refer to the Company SGXNet announcement dated 22 October 2021.

Question 2(ii):

What is the basis of management's confidence in the recovery of the value of the land parcel in Fuling? As at 30 June 2021, the non-current advance payment recoverable from the PRC government has a carrying value of \$4.57 million (page 131). Similarly, what "sufficient appropriate audit evidence" was requested by the independent auditor?

Company's response to Question 2(ii):

In recent months, the Fuling government has initiated discussions for the re-possession of the land parcel in Fuling. The Group is negotiating on the re-possession value of the land. The Board will make further announcements on any material developments, as and when appropriate.

The non-current advance payment recoverable from the PRC government of S\$4.57 million is in relation to the recovery of the Advances granted to the Kaiping government. The Management has been communicating with the Kaiping government and will travel to Tangshan for further negotiation when the travel restrictions are lifted.

The Auditor has requested for a firm confirmation that the \$4.57 million will be paid to the Group and the amount will be remitted to Singapore in due course.

Question 2(iii):

The carrying value of the disposal group held for distribution is required, by accounting standards, to be stated at the lower of carrying amount and fair value less costs to distribute (page 77). However, the quoted value of the disposal group is lower at \$15.8 million, compared to the carrying amount of \$19.4 million (page 83 – Statements of financial position). Can the AC elaborate further on the justifications not to impair the carrying value of the disposal group? In particular, given the material uncertainties highlighted in Note 3 (page 113), can the AC clarify if there is a high risk that the group's financial position may be overstated? What is the range of the possible carrying value of the disposal group based on different possible outcome?

Company's response to Question 2(iii):

The \$19.4 million value of the disposal group held for distribution is the net consolidated book value of the Group's investment in LFHL. The quoted value of the disposal group of \$15.8 million, is the computed market capitalization of LFHL based on share price of S\$0.109 as at market close on 30 June 2021. During the period from 1 July 2020 to 30 June 2021 ("**Reference Period**") the share price has fluctuated in the range between \$0.061 and \$0.125. The AC is satisfied that the share price of LFHL on the SGX is not a fair representation of the fair value as the trading volume is low with approximately 1.2% of the total shares during the reference period.

Question 2(iv):

On 8 October 2021, the company announced that there are material differences between its unaudited full year results announcement for the financial year ended 30 June 2021 ("FY2021") first announced on 17 August 2021 and the audited financial statements following the finalisation of audit by the independent auditors. The explanations of the variances could be found in the company's announcement dated 8 October 2021. Some of the reasons include: recognition of additional impairment loss on development properties, recognition of additional right-of-use assets and the corresponding lease liabilities of one factory. Can the AC explain how it is possible for the group to have excluded the additional right-of-use assets in its unaudited financial statements? The company also announced discrepancies between its unaudited and audited accounts for the financial years ended 30 June 2020 and 30 June 2017, i.e. three times in the last five financial years. Is the group (including its officers) familiar with the Singapore Financial Reporting Standards (International) (SFRS(I))? How can shareholders get assurance from management that the financial statements are prepared in accordance with the relevant Act and financial reporting standards? Has the AC evaluated if the internal financial reporting/finance team is sufficiently resourced with experienced and qualified staff to ensure the integrity of the financial statements?

Company's response to Question 2(iv):

The additional right-of-use assets relates to the lease of factory space that commenced on 16 July 2021, hence it was not recognised on the unaudited results for FY2021. Subsequently, the Auditors have requested that the lease be recognised on the Group's statement of financial position as at 30 June 2021.

AC continues to monitor the performance of the internal financial reporting/finance team and is satisfied that it is sufficiently resourced with experienced and qualified staff to ensure the integrity of the financial statements.

Question 3:

At the annual general meeting scheduled to be held on 26 October 2021, the retiring directors, namely Mr Teo Tong How, Mr Goh Lik Kok and Mr Mahtani Bhagwandas, would be seeking their re-election as directors (resolutions 3-5). In addition, given that the directors would have served on the board for more than 9 years in 2022, the directors would be seeking a two-tier vote from shareholders for their continued appointment as independent directors.

Additional information on directors seeking their re-election can be found on pages 49 to 57 of the annual report.

The nominating committee comprises Mr Mahtani Bhagwandas (chairman), Mr Goh Lik Kok, Mr Peter Moe and Mr Kwan Chee Seng.

Question 3(i):

Would the retiring directors help shareholders understand their individual contribution to the group since their appointment? How effective were the directors at providing entrepreneurial leadership and setting corporate strategies that led to sustainable, long-term value creation for shareholders, especially minority shareholders?

Company's response to Question 3(i):

Entrepreneurial leadership is provided by the executive director, who is supported by his management team. The non-independent non-executive director is part of the Group's succession plan. The Board sets and approves the corporate strategies of the Group to ensure sustainable long-term value creation for the shareholders, and especially the minority shareholders. The retiring Directors have contributed individually by providing their expertise and experiences in their respective different backgrounds and industries. Since their first appointment, the retiring Directors have actively participated in the deliberations by the Board and Board committees. With their various backgrounds and expertise, the NC is of the view that the retiring Directors are able to provide scrutiny, entrepreneurial leadership and direction to the Management.

Question 3(ii):

The three retiring directors and the fourth independent director have been on the board for more than 7 years each. In total, the independent directors have more than 32 years of cumulative experience on the board. The executive director, who is also the controlling shareholder, was appointed to the board in 2013. The non-executive director, being the daughter of the executive director, joined the board in February 2019. How are the board directors able to avoid groupthink given their long years of association with one another in the board?

Company's response to Question 3(ii):

There are 6 Directors in the Company, of which 4 of them are independent non-executive Directors. Even though the independent non-executive Directors have been on the Board for more than 7 years, they have shown professionalism and have dutifully discharged their duties and responsibilities as independent Directors. Each independent Director has direct access to the Management and holds discussions without the presence of Mr Kwan and Ms Kwan Yu Wen from time to time. In addition, the independent Directors do not accept what is presented to them at face value but will raise questions to the Company and the Management to understand the subject matter before making decisions. The independent Directors also constructively challenge each other from time to time, and offer their perspectives and feedback to one another for consideration.

Question 3(iii):

What deliberations did the NC have on the progressive renewal of the board (Principle 4 of the Code of Corporate Governance 2018)?

Company's response to Question 3(iii):

The NC evaluates the performance and assesses the contributions of each Director in accordance with the performance criteria set by the Board. This includes the range of expertise, skills and attributes of the Director as part of the review process considering the current needs of the Board. The NC also deliberates on the process for the re-appointment of Directors for the continuity of right skills and talent mix to deal with future business challenges, taking into account the need for progressive renewal or adding more new members into each Board committee as may be necessary to perform its function that is aligned to business strategies. The NC has conducted their annual review and confirmed the independence of all the Independent Directors and is satisfied with the current composition of the Board and that each Director is able to and has been adequately carrying out his/her duties as a Director of the Company.

Question 3(iv):

Separately, on page 57, it was disclosed that Mr Mahtani Bhagwandas was the subject of disciplinary proceedings by the Disciplinary Tribunal and the Court of 3 Judges had ruled that the said director be suspended from law practice for two years from 14 June 2021. The misconduct charges were in relation to conflict of interests and the making of timely disclosure. As the incumbent chairman of the nominating committee, would Mr Mahtani Bhagwandas think that it would be in the best interest of the company that he steps down as the NC chairman given that his perceived independence and effectiveness as a NC chairman is impaired? In addition, given that the Court of 3 Judges have suspended him for two

years as a lawyer given the misconduct charges, what assurance do shareholders have that the said director will be able to act in the best interests of the company in situations of conflicts of interests and ensure the timely disclosure of material information?

Company's response to Question 3(iv):

Mr Mahtani Bhagwandas ("**Mr Mahtani**") has been an independent non-executive Director of the Company since June 2013. The NC and the Board (excluding Mr Mahtani) had deliberated on Mr Mahtani's suitability to continue as a Director and chairman of the NC, taking into account (i) Mr Mahtani's extensive past and present experience, and (ii) his professionalism when discharging his duties and responsibilities as an independent Director of the Company. As such, the Board is of the view that Mr Mahtani is suitable to continue to be the chairman of the NC and will continue to act in the best interests of the Group. The Board will constantly review the composition of the Board committee and its chairman to ensure its effectiveness.

BY ORDER OF THE BOARD

Kwan Chee Seng
Executive Director
25 October 2021